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Bureau of Consumer Protection

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Used Cars: How to Get a “Peach” Instead of a “Lemon”

Listen to this: A man from Chicago’s Far Southwest Side went to an area dealership to buy a dependable used car for his stepdaughter. Just one day after making the purchase, he received a frantic telephone call. The vehicle had broken down and his stepdaughter was stranded on the side of the road. When he had the car towed back to the dealership, he was told that the car had been sold “as is,” and that he would have to pay out of pocket for any repairs — in this case, a new transmission.

Shortly after another Chicagoland resident bought her three-year-old coupe from a North Shore used car dealership, she, too, ran into transmission problems. She contacted the dealer, only to be told that the warranty had expired before she bought the car — something she wasn’t told when she made her purchase.

And a South Side woman noticed a mysterious fluid dripping from her used car’s engine immediately after buying it last April. She took the car back to the dealer to have the problem fixed, but it continued losing fluid. Two months later, the car “died” and she was left without transportation.

These buyers looked under the hood, kicked the tires and even took these vehicles out for a test drive before laying out their money. What they *didn’t* look for was the most important thing in a used car, truck or van: a Buyers Guide.

The Federal Trade Commission’s Used Car Rule requires dealers to post a Buyers Guide inside each used vehicle for sale. The Buyers Guide spells out in writing what warranty coverage, if any, consumers are getting for their money. It lists the major mechanical and electrical systems on the vehicle, including some of the major problems consumers should look out for. It also tells them who at the dealership to contact if there’s a problem after they buy it.

The Buyers Guide also spells out if a vehicle is being sold “as is.” Consumers who buy their vehicles “as is” are responsible for paying for anything that goes wrong after the sale.

Lemuel Dowdy, an FTC attorney who helped draft the Used Car Rule in 1985, says the Buyers Guide is one of the best protections for consumers, who spend about \$366 billion a year buying some 40 million used cars. Yet many consumers don’t know to look for the Buyers Guide, and an alarming number of dealers don’t post it.

During a June 21 inspection of used car dealers on Chicago’s North Shore, five of 14 used car dealers surveyed failed to comply with the federal regulation and state laws. More than 150 of the 637 cars surveyed had no Buyers Guides displayed, and 57 had incomplete or inaccurate information posted on the guides.

The dealerships involved in the survey were near the Great Lakes Naval Training Center in Waukegan, in North Chicago and in Park City.

As a result of the sweep, Illinois will seek fees from noncomplying dealers and will require each to sign an Assurance of Voluntary Compliance. Dealers that violate the agreement in the future may be held in contempt, and their names will be forwarded to the Federal Trade Commission for possible enforcement action.

“Dealers need to understand the Used Car Rule and begin complying with the law,” says Steven Baker, director of the FTC’s Midwest Regional Office. “While these are not the worst compliance levels we have seen nationwide, what is disturbing is that the dealers are located in an area where the consumers — such as new military trainees — may not understand their rights to this information.”

Baker says the Buyers Guide gives consumers a lot of important information. But, he adds, used car dealers who *don’t* display the Guide also send consumers an important message. “Not displaying the Buyers Guide shows a blatant disregard for the law and for their customers,” he says. “If the dealer isn’t giving them the information they’re entitled to, consumers should take their business elsewhere — to a dealer who *will*.”

Baker acknowledges that the Used Car Rule doesn’t guarantee that every used car buyer’s experience is going to be positive. Buying a used car can involve high-pressure sales tactics, haggling over the bottom-line price and confusion over financing terms. But, he says the Buyers Guide helps consumers go into the deal with an understanding of what they’re getting and what they’re not — *in writing*.

In addition to looking for the Buyers Guide, Baker says consumers shopping for a used vehicle should take these steps *before* they buy to help make sure their “peach” of a car doesn’t turn into a “lemon” as soon as they leave the dealer’s lot:

- ◆ Check out its repair record, maintenance costs and safety and mileage ratings in consumer magazines or online. Look up the vehicle’s “blue book” value, and be prepared to negotiate the price.
- ◆ Ask for the maintenance record from the owner, dealer or repair shop.
- ◆ Get the vehicle inspected by an independent mechanic that you hire before you buy.
- ◆ Test drive the vehicle on hills, highways and in stop-and-go traffic.
- ◆ Get all oral promises in writing.
- ◆ Ask to see a copy of the dealer’s warranty before you buy.
- ◆ Check out the dealer with local consumer protection officials.
- ◆ Recognize that warranties are included in the price of the car; service contracts cost extra and are sold separately.
- ◆ Recognize that the Used Car Rule generally doesn’t apply to private sales.

The FTC works for the consumer to prevent fraud, deception and unfair business practices in the marketplace. The FTC enforces federal consumer protection laws and provides free information to help consumers spot and avoid fraud and deception. For a complete list of publications or to file a complaint, contact the FTC toll-free: 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; online at ftc.gov; or by mail at: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580.

Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.